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6. Development Zones in Conflict-Affected Borderlands: The Case of Muse, Northern Shan State, Myanmar

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Abstract: How are development zones ‘made’ in conflict-affected borderlands? Addressing this question, this chapter explores the transformation of the Myanmar-China border town of Muse since 1988. Despite ongoing armed conflict in northern Myanmar, Muse has become the country’s most important border development zone and today handles more than 80% of licit overland Myanmar-China trade. It is also a key border hub in China’s Belt and Road Initiative. Policy narratives typically claim that borderland development and regional economic integration offer an antidote to violence, criminality, and illegal practices. This chapter challenges these narratives. It demonstrates how longstanding forms of informal public authority and illegality have become deeply embedded in the technologies of governance that have underpinned Muse’s rise.

Keywords: Illicit economies; borderland development; informal governance; militias; illegal drugs; Belt and Road Initiative.

Informal Governance and Illegality in the making of Borderland Development Zones

Since the late 1980s, borderland regions across Southeast Asia have increasingly been re-imagined as zones of economic opportunity that have the potential to stimulate national and regional development. Development discourses have promoted the ‘opening up’ of ‘marginal’ spaces to markets and capital alongside political projects aimed at consolidating state control over territories where the reach of the state has historically been weak and contested. Borderlands have become the subject of concerted efforts by national governments to expand cross-border flows of trade and investment and convert borderland spaces into sites of resource extraction and production (Barney 2009; Eilenberg 2012; Eilenberg 2014; Nyíri 2012; Taylor 2016; Woods 2011; van Schendel & de Maaker 2014). However, in many parts of Southeast Asia the rise of borderland development zones is being mapped onto longstanding histories of unresolved armed conflict, fragmented sovereignty and illegal cross-border flows. How are development zones ‘made’ in conflict-affected borderlands? What forms of territorialisation underpin the making of development zones in these contested spaces? What forms of public authority emerge to govern borderland development zones and whose interests do they serve? And how do longstanding histories of illicit border trade, fragmented sovereignty, and unresolved armed conflicts shape governance structures and everyday life in these development zones?

This chapter sets out to address these questions by analysing the rise of the Myanmar-China border town of Muse in northern Shan State in the period since the late 1980s and current plans to establish the Myanmar’s first official border special economic zones (SEZ) in the city. We emphasise the centrality of long-established systems of informal governance and illicit practices in the making of border development zones in conflict-affected spaces in the Myanmar-China borderlands. In doing so, this paper challenges the acts of erasure and simplistic narratives of transformation that often underpin development discourses surrounding the rise of border cities and SEZs. The legacies of past histories of violent armed conflict, non-state systems of public authority, and unresolved tensions in centre-periphery relations are often erased entirely from borderland development narratives, or are consigned to pre-modern periods of poverty, backwardness and marginality (Nyíri, 2012, 53). The re-imagination of borderland development zones in conflict-affected spaces has often been framed through narratives of transformation which proclaim that development and peace come together. Modernist fantasies of borderland development present the ‘pathologies of the margins’ – violence, criminality, illegal trade, and forms of informal governance that depart from established state norms – as residual to processes of economic development and political integration. The state presents borderland development as part of its “civilising mission” (Scott 2009). This “civilising frontier rhetoric presents” the penetration of state bureaucracy and the

extension of markets in border regions as the antidote to violence, conflict, illegality and underdevelopment in border regions (Cramer & Richards 2011, 289).

However, these discourses of modernity and development rarely reflect the contested and complex empirical reality surrounding the making of borderland development zones in places like Muse, which have a history of weak state authority and where illegal trade has long been an important foundation for local power structures. Addressing this blind spot, this chapter argues that the growth of border cities and efforts to produce new spatial orders over land, borders and populations in highly contested borderland spaces do not displace pre-existing systems of informal governance and illegal practices. Rather these emerging development zones “exist in a nexus of formality and informality” (Ghiabi 2020) that builds on histories of layered governance and authority shaped by a wide array of actors, including military commanders, civilian government departments, armed groups, militias, private companies, and local populations (Eilenberg 2012; Eilenberg 2014; Goodhand 2009; Korf & Raeymaekers 2013; Lund 2011; van Schendel 2004; Woods 2019). Efforts by political and business elites to ensure the security and stability required to attract capital and magnify trade flows often selectively draw upon long-established systems of rule and sources of informal public authority rather than attempt to construct entirely new formal institutions to secure space (Rasmussen & Lund 2018). The reconfiguration of certain “institutional debris” of pre-existing systems of rule often become the “building blocks” for new technologies of rule governing resources and people (Rasmussen & Lund 2018, 389, 393).

In order to understand the how illegality and informal governance intersect with the transformation of Muse into one of Myanmar’s most important economic hubs, we also deploy a spatial lens that extends beyond the city itself. This approach emphasises the importance of engaging with the sociospatial processes and configurations of power that enable Muse to be connected into wider flows of capital, commodities and people. We show how the transformation of Muse from sleepy border town to key development hub has been reliant upon informal governance structures and forms of territorialisation¹ that enable the city to establish durable connections with key sites of resource extraction (such as the jade mines in Kachin State), critical infrastructure (such as the deep-sea ports on Myanmar’s western coast and oil and gas pipelines) and major cities (especially Mandalay and Yangon) across conflict-affected landscapes. As we aim to show in this chapter, the strategies used to maintain these connections and flows have had a strong influence on how the Muse economy functions and how the city

¹ Territorialisation is defined here as the construction of spatial orders aimed at exerting control over people’s activities, determining access to resources, and establishing and enforcing forms of social, political and economic inclusion and exclusion (Peluso & Vandergeest 1995, 388-389; Rasmussen & Lund 2018, 388; Sack 1986, 19).

is governed. Most importantly, the distribution of economic opportunities (both legal and illegal) within the city has become central to the informal political settlements that provide the stability required to maintain the flows of capital and resources upon which the city's prosperity is reliant. How Muse functions as a development zone is thus intimately shaped by wider processes of counter-insurgency and state consolidation far beyond the city itself.

The research presented in this paper is based on fieldwork interviews conducted by the second and third authors in Muse in 2019 with politicians, youth leaders, local government officials from the General Administration Department (GAD), militia leaders and recruits, people who use drugs, businesspeople – including senior figures in some of Muse's largest trade companies – and people working in factories and haulage companies in Muse.² The paper also draws upon research conducted by the first author between 2013 and 2018 across northern Shan State.³

Muse-Ruili: The Rise of the Myanmar-China Gateway

Setting the Foundations: Changing Borderland Dynamics in the late 1980s and early 1990s

The Muse-Ruili border crossing today acts as the main overland gateway between Myanmar and China. Muse is located in northern Shan State on the main road that connects Mandalay in central Myanmar to the China border. Across the border, Ruili is a county-level city in Dehong Prefecture in Yunnan Province, 700 kilometres east of the provincial capital Kunming. For much of the period since Myanmar's independence in 1948 until the late 1980s the Myanmar-China border was officially closed. On the China side, Yunnan's border with Myanmar was sealed by Chairman Mao as part of a centralisation strategy aimed at directing the proving inwards (Hameiri, Jones & Zou 2019, 483). In Myanmar, the country's China borderlands were also increasingly neglected and marginalised. Under the dictatorship of General Ne Win (1962-1988) the country pursued an autarkic, quasi-socialist economic model that rejected private enterprise, integration into global markets and foreign investment in favour of wholesale nationalisation, closed borders and self-sufficiency. Ne Win's rejection of federalism, his efforts to secure firmer unitary control over the country's border and his willingness to deploy military force to achieve this ambition, fuelled longstanding grievances against Burman-dominated central authority throughout the country's ethnically diverse borderlands. By the early 1960s, most of the Myanmar-China borderlands were engulfed in violent armed conflict. An array of armed groups controlled large swathes of territory along the China border and government control throughout Shan State and Kachin State was confined to major towns and

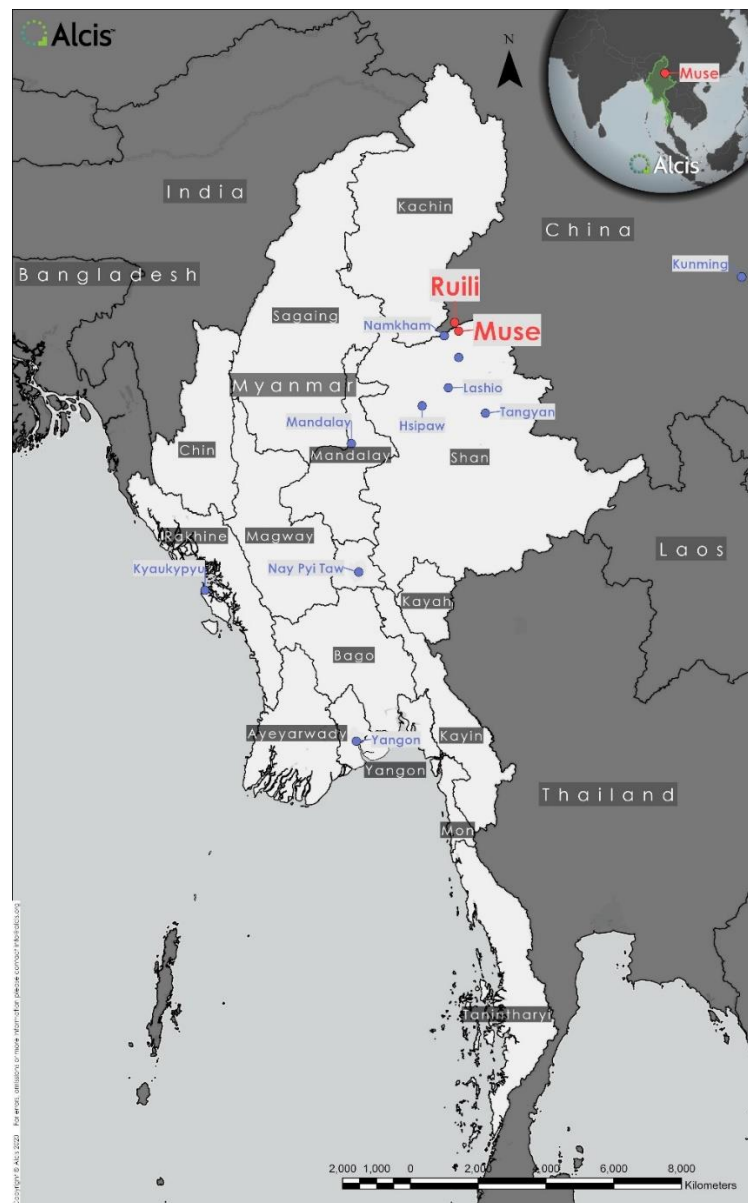
² This research was funded by the Global Challenges Research Fund (GCRF) project entitled "Drugs & (dis)order: building peacetime economies in the aftermath of war" (ES/P011543/1). The Myanmar research within this project has been co-led by Patrick Meehan, Mandy Sadan, Sai Aung Hla and Dan Seng Lawn.

³ This research was supported by the Economic and Social Research Council project entitled "Building sustainable peacetime economies in the aftermath of war" (ES/P009867/1).

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cities (Smith, 1999; Lintner, 1999). The Communist Party of Burma (CPB) was the largest and most powerful of these armed groups through the 1970s and 1980s and received extensive support from the Chinese government. China's support for the CPB and widespread anti-Chinese riots in Burma in 1967 created significant tensions between Beijing and Rangoon.

Figure 6.1: Map: Muse-Ruili.⁴



⁴ This map has been produced by Alcis, a partner on the GCRF Drugs and (Dis)order project (see footnote 2).

However, through the 1980s three key factors began to change the dynamics along the Myanmar-China border. These shifting political and economic dynamics paved the way for Muse to become one of Myanmar's most important development zones and a key hub in wider processes of economic integration between China and South and Southeast Asia. First, the conflict dynamics across northern Shan State underwent a significant shift between the mid-1980s and early 1990s. After 1980, China scaled back its support for the CPB. Amidst the political turmoil within the Chinese Communist Party following Mao's death in September 1976, the CPB had supported the hardliners and denounced Liu Shaoqi and Deng Xiaoping (Lintner, 1990). This backfired badly following Deng's eventual rise to de facto leader of the Party in 1978. In 1980 a CPB delegation visiting Beijing was informed that the Party was expected to become self-reliant by 1985 (Maung Aung Myoe 2011, 87-89). The Myanmar Army scored a number of military victories over the CPB in Muse Township through the mid-1980s, which gradually enabled the army to strengthen its control over this highly strategic region of the border. Conflict dynamics along the China border were further transformed in April 1989 when the CPB collapsed and fractured into a series of splinter groups (Smith 1999, 358; Lintner 1990, 39). The CPB had long provided support to an array of other armed groups, and its collapse sent shockwaves through the country's complicated insurgency politics (Lintner 1990). The Myanmar military government also changed its approach towards the country's restive borderlands. After years of fighting, the government reached ceasefire deals with an array of armed groups in the late 1980s and early 1990s, beginning with the four CPB splinter groups in Shan State, and followed by the Shan State Army (in 1989), the Palaung State Liberation Army (in 1991) and the Kachin Independence Organisation (in 1994), all of which controlled territory in northern Shan State (Meehan 2011, 388-89; Oo & Min 2007). These changing conflict dynamics brought a fragile stability to northern Shan State border. Muse became the one border crossing with China that was under direct government control. Other key border towns remained under the de facto control of ceasefire groups.

The second key factor that facilitated the emergence of Muse as key development zone in post-1988 Myanmar was the central government's changing economic strategy. Following nationwide pro-democracy protests in 1988, General Ne Win stood down and was replaced by a new military junta, called the State Law and Order Restoration Council (SLORC). The SLORC government continued to embrace authoritarianism, which it claimed was a necessary bulwark against the country's internal fragmentation, and refused to acknowledge the 1990 General Election result that delivered Aung San Suu Kyi a landslide victory. The new military government did, however, initiate a significant shift away from its predecessor's isolationist economic policy. In 1988 the government legalised cross-border trade through government-controlled trade gates, the most important being Muse in northern Shan State on the China

border, and Tachilek and Myawaddy on the Thai border. In the same year, Lo Hsing Han's Asia World Company was granted a government contract to improve the road between Mandalay and the China border at Muse, which reduced travel time from two days (as many as seven during the rainy season) to 12-16 hours (Fujita et al. 2009, 114). Also in 1988, the government passed a new Foreign Investment Law to promote private investment in the country (Fujita et al. 2009, 4-6). In 1991, the government also passed the "Wastelands Law", which provided a legal framework for the government to allocate large scale concessions of "fallow" and "waste land", which effectively included all customary and communal land, regardless of whether it was being farmed (TNI 2012). This paved the way for large-scale resource extraction and infrastructure projects, notably logging, mining, dam-building, the construction of oil and gas pipelines, and commercial agriculture (Lambrecht 2008).

Third, Muse's transformation through the 1990s and 2000s into a key development hub was linked to a wider set of initiatives by the Chinese government to utilise cross-border trade and investment as a means of stimulating economic development in the land-locked interior provinces of Yunnan and Sichuan. Myanmar's rich natural resources, many of which are concentrated in Kachin State and Shan State, were also viewed by China as valuable commodities that could continue to fuel the country's economic development. In the early 1990s, Chinese leader Deng Xiaoping announced that certain interior provinces would be granted the same policies of economic openness that various regions of coastal China had benefited from in the 1980s. In 1993 China's State Council granted Yunnan powers to implement its own border trade policies and to designate "border open cities" and "border economic zones". This status was granted to Wanding and Ruili on the Myanmar border as well as Hekou on the Vietnam border, paving the way for sustained expansion of cross-border trade (Summers 2013, 60-1). Amidst these broad national initiatives, Yunnanese business and political elites sought to re-brand their province as a "bridgehead" rather than a frontier, and at the centre of the China-Southeast Asia region rather than the periphery of coastal-dominated China (Summers 2013, 59-69). (For similar processes along the Indonesian-Malaysian border see Hargyono, this volume). The subsequent expansion of formal cross-border trade symbolised improved relations between Myanmar and China and the importance of regional economic integration to the development strategies of both countries.

The Rise of a Border Development Zone: Understanding Muse's Importance to the National Economy in Myanmar

These changing dynamics on both sides of the border continued to gather momentum through the 1990s. China's "Going Out" policy, initiated in 1999, encouraged Chinese companies to invest overseas. This was followed in 2000 by the Chinese government's "Go West" strategy

that sought to improve levels of economic development in twelve western provinces, which are home to more than 400 million people, through major investments in infrastructure and services and efforts to increase trade and foreign investment. This strategy has remained a consistent part of the country's five-year plans ever since. As the major gateway to Myanmar, the Ruili-Muse crossing has played a highly strategic role in both of these initiatives.

Through the 1990s and 2000s, Ruili was transformed from a small border town of 10,000 people to a sizeable city with a population of more than 150,000. Between 2001 and 2011, the total volume of cross-border China-Myanmar trade rose by \$6.5 billion; in comparison border trade with Laos rose by \$1.2 billion (Chen & Stone 2013, 8). In 2010 Ruili became a key city in the Chinese government's strategic plans to stimulate development in western China and in 2012 the "Master Plan of Ruili Experimental Zone" was launched, which included 238 projects aimed at further strengthening the city's role in connecting interior China and Southeast Asia (Chen 2015, 39). Muse-Ruili is also a key hub for a number of major cross-border infrastructure projects. These include the new oil and gas pipelines that traverse Myanmar linking the deep-sea ports at Kyaukpyu on the Bay of Bengal. These have the capacity to deliver 22million tonnes of crude oil and 12billion cubic metres of gas per year to Kunming (Chen & Stone 2013, 10-11) and cut across conflict-affected regions of northern Shan State. China also plans to construct a \$20billion railroad linking Muse-Ruili to Kyaukpyu on a Build-Operate-Transfer (BOT) agreement. Both of these major infrastructure developments are designed to reduce China's reliance on the Malacca Straits and they form part of China's Belt and Road Initiative (BRI) (see also Murton and Rippa, this volume).

In terms of its economic significance to the national economy, the Muse-Ruili border zone is much more important to Myanmar than it is to China. China is now Myanmar's largest trading partner and China accounts for 87% of the Myanmar's overland border trade (Chen 2015). Muse is by far the largest of Myanmar's fifteen official border trading sites: in 2015 official border trade through Muse stood at more than \$3.36billion. In comparison, the second largest trading border site – Myawaddy on the Thai border – recorded a volume of \$411million (Chen 2015, 491-492).

Muse has long been overshadowed by its wealthier and larger neighbouring city across the border. Most major trade markets – notably the region's major jade emporium – and packaging and distribution industries are located on the China side of the border. There has been relatively little investment in Muse other than in sectors that are officially outlawed in China, notably casinos, or dirty industries that have fallen foul of Chinese regulations. For example, a number of paper factories, the effluent from which damages local water supplies, have been relocated

across the border after the Chinese government shut them down.⁵ However, in 2016 the Myanmar government announced ambitious plans to develop Muse's CBD as part of efforts to convert the city into the first of three new border "economic cooperation zones", which will form key nodes on the China-Myanmar Economic Corridor program under the BRI. The current plans are designed to transform a 294 acre (1.2 km² site) in downtown Muse into a trading and commercial hub. Developed by New Star Light Company, the site includes the first purpose-built trading emporium in Muse (which opened in 2016) and five further zones encompassing commercial services, shops, tourism amenities and luxury residential development. New Star Light Company's promotional materials describe the project as "a beautiful untouched land becoming an important business window for Myanmar and China business". This epitomises the historical amnesia and acts of erasure that serve to write-out the legacy of decades of armed conflict and illegal trade that have shaped Muse's political economy. Amidst sweeping, computer-generated aerial footage of an imagined landscape of leafy, luxury detached mansions, swimming pools, clubs, high-end hotels and parkland landscapes played to uplifting instrumental music, Muse is portrayed as a "a bright and shiny icon represent the future of Myanmar [sic]...A bridge connecting the present and the future...beneath the radiance of the rising sun...a new gate, new life, new city."

Development Zones, Armed Conflict and Illicit Flows

However, this glossy imaginary overlooks the fact that Muse Township, and northern Shan State as a whole, remains a highly fragile and conflict-affected space. State authority throughout this borderland region continues to be heavily contested and stability is predicated on a series of informal arrangements between the Myanmar army and various ceasefire armed groups and local militias. Violent armed conflict between the government and a number of armed groups has worsened over the past decade, and highly lucrative illegal flows continue to be central to the cross-border economy and borderland power structures. Indeed, the city remains a major conduit for the flourishing black-market trade in jade, timber, drugs, people and various other commodities, as well as being home to a flourishing casino sector.

Amidst this highly fragile, complex and fragmented political environment, Muse city and its environs continue to be affected by outbreaks of violence, instability and subsequent disruptions to cross-border trade. In 2009, the twenty-year ceasefire arrangements between the Myanmar Army and Myanmar National Democratic Alliance Army (MNDAA) – an ex-CPB faction based in the Kokang region that borders Muse Township – broke down and caused more than 10,000 people to flee across the border into China. Further fighting in this region in

⁵ Interview conducted by the second and third authors with senior official in the General Administration Department (GAD) in Muse, 9 June 2019.

2015 lasted for four months and caused a further 40,000-50,000 refugees to seek shelter in China (DVB 2015). In 2011, the 17-year ceasefire between the Myanmar government and the Kachin Independence Army (KIA) broke down leading to significant fighting throughout northern Shan State and southern parts of Kachin state. The conflict in northern Shan State has been further complicated by new outbreaks of insurgency since 2010 and the Myanmar Army's longstanding deployment of local counter-insurgency militias to police conflict-affected borderland regions. In November 2016, an alliance of ethnic armed organisations launched a coordinated attack on Muse and a number of neighbouring towns in response to what it claimed to be the Myanmar Army's manipulation of the country's peace process and the pressure that they had faced to sign a nationwide ceasefire agreement that did not address their grievances. The attack resulted in the closure of Muse's main border trade zone and led to more than 3,000 people fleeing across the border into China to escape the fighting and the airstrikes that were subsequently launched by the Myanmar Army in order to re-assert control over Muse Township. In May 2018, an attack by another ethnic armed group on a militia-run casino complex one mile outside of Muse city centre left nineteen people dead, including three Chinese nationals, and resulted in the border being shut down once again. Seven months later, in December 2018, the abrupt closure by the Myanmar army of one of the city's three principle border gates in response to an outbreak of violence involving one of the many army-backed local militias in Muse resulted in further significant disruption to border trade.

For Muse to operate as a functioning border development hub within this context of ongoing armed conflict and fragmented sovereignty, it is vital that stability is maintained to ensure that commodities and capital can continue to flow. This brings into play a much more complex set of actors, interests, processes and trade-offs than is typically explored in policy documents, which tend to focus only on formal actors – primarily governments and private companies – and official development initiatives, such as border trade liberalisation and the inauguration of SEZs. The final section of this paper develops this argument by exploring the role of informal actors and illicit commodities in shaping Muse's development.

Modernist Fantasies and Violent Realities in the Making of a Borderland Development Zone

The modernist fantasies and violent realities surrounding Muse city offer contrasting perspectives on the dynamics and possibilities of development zones in contested and conflict-affected spaces along the Myanmar-China border. Development narratives espoused by political and business elites on both sides of the border make claims that the economic growth and increased trade and investment facilitated by regional economic integration will provide an antidote to the violent instability, illegal practices and informal systems of non-state

governance that have long defined the border region. However, following the re-opening of the Myanmar-China border in the late 1980s, the speed of economic liberalisation and the rapid growth of border trade and investment outpaced the ability of the Myanmar state to secure firmer, centralised control over Muse and the corridor of territory through northern Shan linking Muse to Mandalay and central Myanmar. The desire amongst political and business elites on both sides of the border to capitalise upon newly emerging opportunities amidst an environment of ongoing insecurity and weak state control has inspired certain governance fixes, which have been defined by the enduring importance of informal public authority and illegal practices, rather than the extension of formal institutions. The remainder of this chapter explores how informal public authority and illegality have become deeply embedded in Muse's transformation into a key development zone. It first analyses the role that army-backed militias have played in the governance fixes that have been deployed by political and business elites to stabilise and open up the Myanmar-China border area to trade and investment. It then explores how the illegal drug trade has become deeply connected to – rather than displaced by – borderland development in Muse. Finally, it demonstrates how deeply embedded systems of informal governance and illegal practices have become in the foundations of Muse by showing how they shape the everyday lives of those who live and work in the city.

Militia Governance: The Role of Army-backed Militias in Governing a Volatile Frontier

Despite Muse's position as the key overland gateway to China, and its importance to the national economy in Myanmar, it is striking that the city continues to be governed through a complex and fragmented nexus of formal and informal actors, rather than a system of more consolidated and centralised state control. The exercise of public authority in Muse encompasses the activities of civilian government departments, such as the General Administration Department (GAD) and the police, the Myanmar army, ceasefire armed groups, and a significant number of army-backed militia organisations. Indeed, one of the defining features of Muse is the proliferation of militias – known in Burmese as *pyithusit* (people's militias) – that operate within the city (see Figure 6.2).⁶ These militias report directly to the Myanmar Army's North Eastern Regional Command in Lashio, and thus have greater de facto authority than the police or GAD in Muse. These militias are well-armed – often with weapons they have purchased on the black market – and are key economic actors in Muse, operating an array of legal and illegal businesses. These groups epitomise what Christian Lund (2006) has termed “twilight institutions”: they are not the state but they exercise public authority, and are thus central to the political economy of Muse city. Many of these groups are longstanding anti-insurgency militias whose links with the Myanmar army date back for many decades, while

⁶ Figure 6.2 does not provide an exhaustive list of militias that are active in Muse but does cover the larger militias. It draws upon interviews conducted by all three authors as well as SHAN's large media archive.

others were formed under the auspices of the Myanmar army during the 1990s and 2000s. Some of these militias were formerly part of insurgency groups but have subsequently chosen – or been pressured by the army – to convert into militias (see Figure 6.2). Today, these militias draw their authority from somewhat paradoxical foundations: their close links to the Myanmar army enables them to hold arms, operate with impunity, and access state resources; yet the fact that they are drawn from the region and have ties with local populations – primarily in terms of language, ethnicity and patronage – has also enabled them to claim to represent local interests in the face of encroaching military authority.

Figure 6.2: Militias operating in Muse

Militia name	Base area	Leader	Background	Activities in Muse
Pansay Militia	Namkham Township	‘Pansay’ Kyaw Myint	Long-standing counter-insurgency militia	Control of various Myanmar-China border crossings; jade trading; Cigarette factory; gas stations; Yongyang Casino; KTV (karaoke) bars; meat business; Reported involvement in the drug trade
Kaungkha Militia	Kutkai Township	Mahtu Naw	Formed from Kachin Defence Army (KDA) in 2010. The KDA splintered from the KIA in 1991 and agreed a ceasefire.	Cross-border livestock (cattle) trade; Construction company; KTV businesses; Reported involvement in the drug trade
Myo Ma Militia	Namkham Township	Aik Sam	Faction that split from Pansay Militia around 2010	Gas stations; cross-border livestock trade; logging trade; control of road checkpoints and border crossings
Hseng Kaew Militia	Hsipaw Township	Sao Loimao	Formed from the 3 rd Brigade of SSA/SSPP in 2009. The SSA had signed a ceasefire with the government in 1991 and was pressured to convert to a series of militias in 2009.	Cross-border livestock (cattle) trade; Logging trade; reported arms smuggling
Tarmoenye Militia	Kutkai Township	U Myint Lwin	Long-standing counter-insurgency militia	KTV (Karaoke) bars; Tarmoenye Chantha Co Ltd Northern Shan States Joint Venture Co.Ltd Reported involvement in the drug trade

Mongpaw Militia	Muse Township	U Keng Mai	Formed in the early 2000s	Militia leader U Keng Mai elected to Shan State Assembly for USDP for Muse Constituency No.2. Nyein Aye Myay Travels & Tours Co., Ltd. Reported involvement in the drug trade
Manpang Militia	Tangyan Township	Bo Mon	Formed in the late 1990s out of the Mong Tai Army (MTA), an armed group led by Khun Sa that surrendered to the government in 1996	Real estate; Reported involvement in the drug trade; Links to Yue Liang Dao (Moonshine Island) Casino; So So Pyay-Pyay (Fresh and Lively) Hotel

Army-backed militias play a number of important roles in governing space, flows (of capital and trade), and populations in Muse. Militias operate checkpoints – alongside or on behalf of the army – to police and tax goods and people entering and leaving the city. They have also provided the coercive muscle for various forms of dispossession within the city on behalf of both the army and private companies. These militias have also acted as important business brokers connecting investors and companies across the China border. Many militia leaders – such as Kyaw Myint (Pansay militia), and U Myint Lwin (Tarmoenye militia) – are from Chinese-speaking ethnic minority groups and have been able to broker across language and cultural barriers in a way that Burmese investors or military figures cannot.

Militias also play a prominent role in the Muse economy (see Figure 6.2). Their business interests including gas stations, cement factories, bottled water factories, bus companies, haulage companies, import-export businesses (primarily livestock and agricultural produce), casinos and illegal drug trafficking. Militias operate within a privileged economic space in Muse that in many ways represents the workings of a de facto special economic zone: they are able to operate with minimal state interference (for example passing through checkpoints freely), obtain official licenses – or indeed operate without needing to get licenses – and rarely pay tax. These economic activities have enabled militias to be self-financing, reducing pressures on military budgets. Economic concessions have also provided a way for the Myanmar army to try to secure and maintain the loyalty of these groups, and so prevent them from returning to insurgency. Militias themselves have also sought to maintain relationships with the army – often through a system of informal payments – so as to retain business opportunities, protection and impunity. This system has enabled the Myanmar military to generate revenue – for both private gain and military budgets – from illicit or grey-area

activities, primarily casinos and the drug trade, while maintaining a degree of official separation from these activities and a layer of plausible deniability.

The role that militias have played in shaping Muse's development also extends far beyond the city's boundaries. They have secured territory (alongside the army) around key trade routes and sites of resource extraction. These activities have played an important part in helping to ensure the continued flow of goods through Muse. Militias have led recruitment drives for the army and have at times also directly supported the army in counter-insurgency offensives. They have also been deployed to clear populations from land slated for development, provide security on main roads and police development sites operated by the government and/or private companies (Buchanan 2016, 31; Meehan 2015). In return, militias that support the army's efforts to secure territory in more remote areas have been rewarded with economic opportunities in Muse. Muse has thus become an important entrepôt or hub for key rents that have been used in the coalition-building and deal-making that has underpinned the Myanmar military-state's efforts to stabilise and secure control across a much wider borderland region. These military-militia networks across Shan State have thus had a significant role in shaping the political economy of Muse. Most importantly, it has enabled certain forms of informal militia governance and illegality to become deeply entrenched in the political and economic foundations upon which Muse's development has been constructed.

These dynamics are captured clearly in the case of the Pansay militia. Led by 'Pansay' Kyaw Myint (aka Li Yong Qiang; U Win Maung), the Pansay militia is a longstanding anti-insurgency group that has had close links to the Myanmar Army since at least the 1980s. Kyaw Myint is one of the army's most trusted strongmen in northern Shan State and controls a contested and strategic region of Namkham Township in northern Shan State. The militia has been involved in counter-insurgency campaigns against various armed groups and has also been deployed to secure development projects, including dam sites along the Shweli River and the oil and gas pipelines that traverse northern Shan State. Kyaw Myint is Lisu-Chinese and has become an important business broker connecting Yunnanese and Burmese businessmen. In return, Kyaw Myint has used connections with the military to develop a wide-ranging business empire. This includes involvement in the illegal drug economy – the hill ranges in Namkham under his control are major sites of opium cultivation – and various businesses in Namkham, as well as Muse, Mandalay and Yangon. The militia polices and taxes various border crossings on the Mao-Shweli river and operates numerous businesses in within muse city, including the Yongyang Casino, KTV bars, gas stations and a meat distribution company.

Militias thus represent a governance fix to the challenges of territorialising contested frontier spaces. The Myanmar army's willingness to draw upon – and empower – local militias represents a form of mediated statebuilding, which has been founded upon bargaining processes and coalition-building between formal and informal sources of public authority, rather than the extension of formal state institutions. Over time, these governance fixes have developed a momentum of their own, not least because businesses operating in Muse have sought to establish relationships with militias as a way to ensure their enterprises can operate smoothly and benefit from the opportunities and protection such alliances can provide. The role of militias in Muse, then, cannot simply be framed as a symptom of state fragility or marginalisation, but reveals the enduring importance of informal authority to systems of borderland governance and the role that twilight institutions play in providing the security and stability required to open up spaces for capital. In short, militias have become important handmaidens in supporting Muse's transformation into a key development zone over the past three decades.

Embedded illegality: Drugs and development in Muse

The role that the illicit drug economy has played in the story of Muse's development also provides important insights to how development zones are assembled in conflict-affected borderland spaces where illegality has long been a part of the cross-border economy. Since the 1950s, Shan State has been the epicentre of Southeast Asia's illegal opium production, much of which is converted into morphine base or heroin within the country's borders. Since the mid-1990s Shan State has also become a major producer of methamphetamines. Whereas in the 1970s and 1980s much of the region's opium was destined to serve heroin users in the west via trade routes south through Thailand, a growing market in neighbouring China shifted the predominant drug-trafficking routes north. Drugs have since become a key commodity within the trade networks that pass through Muse.

The priority for business and political elites in Myanmar and Yunnan since the 1990s has been to stabilise the northern Shan economic corridor linking central Myanmar to China in order to capitalise on the emerging economic opportunities created by expanding trade and investment flows. The Myanmar military-state has sought to co-opt the drug trade into its wider efforts to stabilise this key borderland corridor (Meehan 2015, 267). Informal negotiations regarding levels of protection and impunity surrounding the illegal drug economy, and opportunities to invest in the legal economy have become one important foundation of the deals forged between the Myanmar military-state and local militias. These informal deals around the drug trade have provided the military with a way of attempting to strengthen their control over these organisations since the protection and impunity the military offers remains informal and the terms of loyalty are always subject for negotiation. At the same time, militias have also viewed

the illegal drug economy as a way to generate the revenue needed to expand and secure their position in borderland power structures. This has included purchasing weapons independently from the army, diversifying into legal businesses, and developing their own patronage networks.

The drug economy has thus become embedded in the making of Muse over the past three decades in multiple ways. Negotiations around the drug economy have underpinned the tangled world of informal coalitions and brokerage agreements between the military and local militias. As already discussed above, these arrangements have become fundamental to shaping how space is made governable in this volatile and conflict-affected region. Furthermore, significant informal revenue has flowed from militias – and the illegal businesses linked to them – to the army, police and local government departments. Thus, much of the budget for the formal authorities that do operate in Muse is ultimately derived from the illegal and ‘grey’ businesses that operate in and through the city. Drugs are also an important foundation in the literal ‘making’ of Muse. Militias – and businesses linked to them – have used revenues derived from the drug trade to establish construction companies and small factories, operate casino complexes, and invest in real estate. Although much of the revenue from drugs does not remain in Myanmar and enters the global financial system, the relative ease of laundering money within Myanmar – especially through real estate – has meant that illicit money has nonetheless played an important role in Muse’s development.

Navigating illegality and informality: Everyday life in Muse

The importance of informal governance structures and illegality in shaping Muse’s rise as a key border development zone can be seen particularly clearly through the impact that militias and drugs continue to have on everyday life in Muse. Local populations are constantly required to navigate and negotiate illegality and informal systems of public authority in ways that have hardly changed despite the political and economic reforms that have occurred at the heart of government in Myanmar since 2010. Indeed, although people in Muse now have increasing opportunities to appeal to formal state authorities, such as the police, civilian government departments, or local MPs, real power continues to lie in informal and opaque governance structures. This has often perpetuated local people’s vulnerability to violence and intimidation at the hands of local militias. These groups have leveraged the impunity and power derived from their links with the military to deploy violence to pursue business interests and settle disputes. This is reflected in the following testimony of one young man who recounted his experiences of militia authority.

The Pan Say militia really abused the local people. A member of my football team was shot by a militia member at night time. We could not do anything. At the time we had a local MP, but he could do nothing. The militia are really close to the Tatmadaw. So, although we had an MP, we really could not do anything.⁷

The informal governance structures that have emerged in Muse have also created a highly permissive environment around drugs, where the rule of law is consistently superseded by the privileges and protection provided by informal political ties. Many drug-selling networks within the city and surrounding region are linked to local militias or the army and thus avoid reprimand. Drugs have thus become relatively cheap and easy to access.

In this context, drug use – alongside alcohol – has become a common coping mechanism for people faced with the stresses and hardships of armed conflict, displacement, and disrupted family life, and who struggle to make a living from insecure and exhausting jobs – or are un(der)employed. As one local MP in Muse reflected, many people “fall into the trap of Pha Pho Phey (prostitutes, heroin and cards)”.⁸ Levels of drug use and drug-related mortality are high in Muse (although official figures are not publically available). Across the border, Ruili has the second highest HIV prevalence rate in all of China (Chen 2015).

However, although many people that we interviewed in Muse spoke bitterly about the role of militias, the position that they hold in the city’s political economy has meant that they also offer opportunities. People spoke of joining militias in order to conduct business or for protection. As one young Shan man, who worked as a driver in Muse, recounted:

My uncle was involved in a drug business. He got arrested and was jailed for over 10 years. He was released last year [2018]. At the time, he was not part of a militia. But after he was released from jail, he had a land dispute with an armed organisation. So, he joined a militia to build his strength. Some of my friends also join militia groups. After they join militia, they can hold a gun. When they hold a gun, they are afraid of no one. Most of the people I know joined the Hseng Keaw militia because this group does cow and buffalo trading.⁹

Joining a militia has also been a way for young men to protect themselves from being recruited by armed groups. This is captured in the following testimony of a young man living in Muse.

⁷ Interview conducted by second and third authors, 13 June 2019, Muse.

⁸ Interview conducted by second and third authors, 6 June 2019, Lashio.

⁹ Interview conducted by second and third authors, 13 June 2019, Muse.

Some of my friends from outside of Muse had also fled from recruitment, so they joined militia for their safety. They have the choice whether to be recruited by SSPP or RCSS [the two main Shan armed groups]. If they don't want to be recruited, they join a militia. Then they can live close their parents, and they can do business.¹⁰

The sense of empowerment – however illusory – from joining a militia and carrying a weapon can be particularly appealing to young men living in an environment of violence, personal insecurity, limited opportunities, and regular abuse at the hands of authorities. Some young militia recruits we interviewed had visions of acting as bodyguards or snipers, although in reality most provide less glamorous and more mundane work in the form of round-the-clock security for casinos, KTV, and factories. The following testimony by a youth leader in Muse reflects how young people's experiences of living and working in the border area can motivate some to join militias:

I used to work at a water melon factory in Wanding [on the China side of the border]. We were oppressed, the authorities always told the workers to take urine tests. They arrest our workers almost every day...most were truck drivers. Most of them just use it [methamphetamine pills]. They didn't sell it. But they [the authorities] had a mission, they had to arrest a certain number of drug users. I had a bitter experience with the border authorities. Once, when I scanned my finger at the gate, the Chinese authority said I looked like a murderer. I said I've never committed a crime. If I looked like someone, could they show me the picture of the murderer? They told me to 'shut up and stand still'. Then, they asked for my Burmese ID. I had to make a phone call to my home and then my brother contacted a Chinese high-ranking officer to free me. Authorities can really oppress people [...] What I see now is that they [young people] join militia because they can hold a gun and no one can then abuse them. Most of the youth that join them are aged between 18 and 22.¹¹

These brief insights into everyday life in Muse reveal the nexus of formality and informality, and layers of public authority that underpin the city. They emphasise clearly the way in which processes of development in contested and fragmented borderland spaces draw upon – and can serve to reinvigorate – an array of governance fixes that blur the boundaries between state and non-state actors, legality and illegality, and violence and order. These everyday realities are

¹⁰ Interview conducted by second and third authors, 13 June 2019, Muse.

¹¹ Interviews conducted by second and third authors, 13 June 2019, Muse.

often missing from development narratives that claim the integration of borderlands into markets and national political structures will provide an antidote to violence, criminality and illegal trade and deliver formal state institutions.

Conclusion

Efforts to stimulate economic development through regional economic integration and the creation of border development zones have been underpinned by two dominant narratives. First, strategies to “harness special economic zones for border development” (ADB 2018) are framed in terms of creating formal and “legally bounded” institutional environments under firm state control that can then provide transparent and business-friendly regulatory regimes (ADB 2018, 1; ADB 2015, 69; Farole 2011, 27). Second, by stimulating investment and development in marginalised and conflict-affected spaces, border development zones are presented as offering solutions to conflict, marginality, illegality, and poverty.

However, as this chapter has shown, the case of Muse problematizes both of these narratives. Muse’s growth since the late 1980s demonstrates how the making of border development zones in contested spaces is invariably underpinned by processes of “institutional bricolage” which draw upon longstanding sources of informal public authority, rather than the clear extension of formal state institutions (Douglas 1986; Rasmussen & Lund 2018). Efforts by political and business elites to capitalise on emerging economic opportunities offered by liberalising cross-border trade and investment flows have often worked with the grain of society, in ways that have served to reinvigorate rather than dismantle longstanding systems of informal governance and illicit flows. Although formal civilian government institutions have expanded in Muse over the past decade, these are layered upon – and have remained largely subservient to – *de facto* systems of rule.

Exploring how development zones are assembled in conflict-affected spaces like Muse reveals clearly the highly uneven distribution of the costs and benefits of border development. In the Myanmar-China borderlands the intersection of counter-insurgency, state consolidation and border development strategies has made Muse a privileged space for army-backed militias and businesses allied with them. However, the permissive environment surrounding violence and illegality has impacted heavily on local populations, exposing them to ongoing forms of insecurity, including the spread of cheap and easily accessible drugs, and every day forms of intimidation and violence. The benefits of development in Muse have been concentrated in the hands of a small nexus of military-militia-private sector power, and the costs have been socialised, creating new forms of enrichment – and vulnerability.

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